

WASHINGTON COUNTY HOSPITAL

FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Washington County Hospital
Washington, Kansas

We have audited the financial statements, as listed in the table of contents, of Washington County Hospital, a component unit of Washington County, Kansas, as of December 31, 2011 and for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Hospital as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 8, 2012

WASHINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Washington County Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2011 and 2010. Please read it in conjunction with the Hospital's financial statements, which begin on page 8.

Financial Highlights

- The Hospital's net assets decreased by \$216,099 or 11.86 percent in 2011 and decreased by \$45,512 or 2.44 percent in 2010.
- Contractual allowances and bad debts reduced gross patient service revenue by \$970,873 or 21.67 percent of gross patient service revenue in 2011 and by \$723,641 or 16.76 percent of gross patient service revenue in 2010.
- The Hospital reported operating losses in both 2011 (\$481,464) and 2010 (\$331,541).
- Net nonoperating revenues and expenses increased by \$25,810 in 2011 and by \$61,156 in 2010. The net increase in 2011 was due primarily to an increase in grants and contributions. The increase in 2010 was due primarily to a reduction of fundraising expenses of approximately \$82,000.

Financial Statements

The Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net assets, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *balance sheet*, *statement of revenue, expenses and changes in net assets*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *balance sheet* presents information on the Hospital's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Hospital is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net assets for the year. This statement is an indication of the success of the Hospital's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital's cash receipts and cash payments during the year.

Financial Position

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheets on pages 8 and 9. The Hospital's net assets decreased in each of the past three years as you can see from the following table.

	December 31,		
	2011	2010	2009
Assets:			
Current assets	\$1,326,846	\$1,470,669	\$1,430,445
Capital assets, net	766,675	908,156	682,644
Other noncurrent assets	553,139	566,650	674,871
Total assets	\$2,646,660	\$2,945,475	\$2,787,960
Liabilities:			
Long-term liabilities	\$ 215,699	\$ 318,483	\$ 225,015
Other liabilities	825,284	805,216	695,657
Total liabilities	\$1,040,983	\$1,123,699	\$ 920,672
Net assets:			
Invested in capital assets, net	\$ 356,285	\$ 422,348	\$ 269,905
Restricted	—	—	6,610
Unrestricted	1,249,392	1,399,428	1,590,773
Total net assets	\$1,605,677	\$1,821,776	\$1,867,288

Overall, total assets decreased 10% from 2010 to 2011 and increased 6% from 2009 to 2010.

- Current assets decreased 10% from 2010 to 2011 due to increased collection rates for receivables and increased expenditures relating to the acquisition and maintenance of a computerized electronic health record system. Current assets increased 3% from 2009 to 2010 due to improved collection rates on receivables and the conversion of investment assets to cash or cash equivalents.
- Capital assets have increased approximately 15% over the last two years (2009 to 2011) primarily due to the implementation of the computerized electronic health record system and the replacement of the Hospital's boiler system.

- Liabilities increased 22% from 2009 to 2010 primarily due to increases in lease purchase obligations for the implementation of the electronic health record system and the replacement boiler system. Liabilities decreased 6% from 2010 to 2011 due to principle payments on the lease purchase obligations mentioned previously.

Recent Financial Performance

The schedule below is a summary of the Hospital's revenues, expenses and changes in net assets for the past three years.

	Year ended December 31,			
	2011	2010	2009	
Operating revenue	\$3,532,178	\$3,617,062	\$3,534,569	
Operating expenses:				
Salaries	1,736,235	1,699,660	1,609,948	7.6% over 2 yrs, 4% in 2 years
Employee benefits	2,670 417,712	404,981	407,045	
Supplies and other	1,641,184	1,624,788	1,573,293	
Depreciation and amortization	218,511	219,174	221,437	
Total operating expenses	4,013,642	3,948,603	3,811,723	
Operating loss	(481,464)	(331,541)	(277,154)	
Nonoperating revenues (expenses):				
Taxes	206,906	204,000	204,000	
Investment income	4,083	5,597	11,862	
Interest expense	(19,789)	(14,348)	(16,689)	
Fundraising expenses	-	-	(81,848)	
Grants and contributions	46,216	18,468	33,858	
Other, net	10,621	8,510	9,888	
Total net nonoperating revenues (expenses)	248,037	222,227	161,071	
Capital grants and contributions	17,328	63,802	11,418	
Decrease in net assets	\$ (216,099)	\$ (45,512)	\$ (104,665)	
Net assets at end of year	\$1,605,677	\$1,821,776	\$1,867,288	

Overall, operating revenues decreased 2% from 2010 to 2011 and increased 2% from 2009 to 2010.

- Net patient service revenue decreased 2% from 2010 to 2011 due to an increase in the deductions from revenue for contractual adjustments and debt expense. The deductions from gross patient service revenue increased from 18 % to 22%. This was primarily due to a significant shift of the proportion of service revenue from commercial insurance beneficiaries to Medicare beneficiaries with a higher contractual adjustment rate.

Overall, operating expenses increased 2% from 2010 to 2011 and 4% from 2009 to 2010.

- Salaries, wages, and employee benefits increased 2% from 2010 to 2011 and 4% from 2009 to 2010 due to employee merit increases.
- Purchased services expense increased 12% from 2010 to 2011 primarily due to increases in physical therapy, imaging, emergency room physician coverage, and financing feasibility study costs.
- Maintenance expense increased 97% from 2009 to 2010 primarily due to increases in computer system support costs as a result of the implementation of the computerized electronic health record system.

Overall, the Hospital's operating loss increased 45% from 2010 to 2011 and 20% from 2009 to 2010 due to items mentioned above, along with depreciation expense associated with the implementation of the computerized electronic health record system. It is important to note that the calculation of the operating loss is a result of the application of accounting principles generally accepted in the United States of America ("GAAP"). The Hospital receives a portion of County tax revenues in part to subsidize the cost of services provided to uninsured patients. Although the expenses incurred to provide these services are recognized as operating expenses, GAAP reporting rules require that the tax revenues be reported as nonoperating revenues.

Nonoperating revenues/expenses consist primarily of property taxes levied by the County, investment earnings, interest expense, and grants and contributions.

Patient Volumes

Patient volumes are measured on both inpatient and outpatient basis. Acute inpatient days were 380 and 334 in 2011 and 2010, respectively. Skilled swing bed patient days were 250 and 342 in 2011 and 2010, respectively. Intermediate care swing bed patient days were 1,704 and 1,642 in 2011 and 2010, respectively. The number of outpatients served was 9,843 and 9,801 in 2011 and 2010, respectively.

Capital Assets

At the end of 2011, the Hospital had \$766,675 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Hospital acquired additional capital assets costing approximately \$47,000 in 2011 and \$445,000 in 2010.

A substantial portion of the additions to capital assets over the last three years are for computer hardware and software needed to implement an electronic health record system to comply with regulatory changes initiated under national healthcare reform programs.

Debt

As discussed in Note 6 to the financial statements, the Hospital has acquired equipment under capital lease agreements, including new lease agreements of \$94,433 and \$263,605 in 2011 and 2010, respectively.

Other Economic Factors

Management expects the current economic conditions to continue over the next year.

Issues Facing the Hospital

There are issues facing the Hospital that could result in material changes in its financial position in the long term. Among these issues are:

- Building project. As discussed in Note 11 to the financial statements, the Hospital has initiated a campaign to raise funds to be used toward the possible construction of a new hospital facility.
- Risks related to Medicare and Medicaid reimbursement. A significant portion of the Hospital's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.
- Employment and labor issues. The Hospital is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.
- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.

- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital.

Contacting The Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administration Department, at Washington County Hospital, 304 E. Third, Washington, Kansas 66968.

WASHINGTON COUNTY HOSPITAL

BALANCE SHEETS

ASSETS

	December 31,	
	2011	2010
Current assets:		
Cash (Notes 1, 3 and 7)	\$ 207,389	\$ 254,493
Accounts receivable, net of allowance for doubtful accounts of \$258,835 in 2011 and \$210,000 in 2010	741,450	884,353
Inventories (Note 1)	239,112	181,057
Estimated third-party payer settlements (Note 2)	76,304	58,525
Other	62,591	92,241
Total current assets	<u>1,326,846</u>	<u>1,470,669</u>
Assets limited as to use (Notes 3 and 7)	<u>553,139</u>	<u>566,650</u>
Property and equipment, at cost (Notes 1 and 5):		
Land and land improvements	131,524	131,524
Building and fixed equipment	1,088,053	934,019
Movable equipment	2,511,703	2,262,001
Projects in progress	52,385	408,827
	<u>3,783,665</u>	<u>3,736,371</u>
Less accumulated depreciation	<u>3,016,990</u>	<u>2,828,215</u>
Property and equipment net of accumulated depreciation	<u>766,675</u>	<u>908,156</u>
Total assets	<u>\$ 2,646,660</u>	<u>\$ 2,945,475</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

	December 31,	
	2011	2010
Current liabilities:		
Accounts payable	\$ 127,176	\$ 191,501
Salaries and wages payable	71,780	58,131
Compensated absences payable (Notes 1 and 6)	60,726	61,138
Payroll taxes payable	10,003	8,630
Deferred revenue (Note 11)	352,076	310,427
Interest payable	6,323	5,539
Current portion of capitalized lease obligations (Notes 1 and 6)	197,200	169,850
Total current liabilities	825,284	805,216
Long-term liabilities:		
Capitalized lease obligations (Notes 1 and 6)	213,191	315,958
Compensated absences payable (Notes 1 and 6)	2,508	2,525
Total long-term liabilities	215,699	318,483
Total liabilities	1,040,983	1,123,699
Net assets (Notes 1 and 8):		
Invested in capital assets net of related debt	356,285	422,348
Unrestricted	1,249,392	1,399,428
Total net assets	1,605,677	1,821,776
Total liabilities and net assets	\$ 2,646,660	\$ 2,945,475

WASHINGTON COUNTY HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year ended December 31,	
	2011	2010
Operating revenues:		
Net patient service revenue (Note 1)	\$ 3,508,957	\$ 3,594,534
Other	23,221	22,528
Total operating revenue	<u>3,532,178</u>	<u>3,617,062</u>
Operating expenses:		
Salaries	1,736,235	1,699,660
Employee benefits	417,712	404,981
Supplies and other	1,641,184	1,624,788
Depreciation (Note 1)	218,511	219,174
Total operating expenses	<u>4,013,642</u>	<u>3,948,603</u>
Operating loss	<u>(481,464)</u>	<u>(331,541)</u>
Nonoperating revenues (expenses):		
Taxes	206,906	204,000
Investment income	4,083	5,597
Interest expense	(19,789)	(14,348)
Noncapital grants and contributions	46,216	18,468
Other	10,621	8,510
Total nonoperating revenues	<u>248,037</u>	<u>222,227</u>
Expenses over revenues before capital grants and contributions	<u>(233,427)</u>	<u>(109,314)</u>
Capital grants and contributions	<u>17,328</u>	<u>63,802</u>
Decrease in net assets	<u>(216,099)</u>	<u>(45,512)</u>
Net assets at beginning of year	<u>1,821,776</u>	<u>1,867,288</u>
Net assets at end of year	<u>\$ 1,605,677</u>	<u>\$ 1,821,776</u>

The accompanying notes are an integral
part of the financial statements.

WASHINGTON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2011	2010
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 3,634,081	\$ 3,733,117
Payments to suppliers and contractors	(1,771,959)	(1,538,154)
Payments to employees	(1,723,015)	(1,692,391)
Payments for employee benefits	(417,712)	(404,981)
Other receipts and payments, net	72,614	22,528
Net cash flows provided (used) by operating activities	(205,991)	120,119
Cash flows from noncapital financing activities:		
Property taxes for operations	206,906	204,000
Grants and contributions	46,216	18,468
Other	10,621	8,510
Net cash flows provided by noncapital financing activities	263,743	230,978
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(31,990)	(181,081)
Contributions for capital assets	56,746	16,415
Increase in deferred revenue	41,649	77,805
Increase in building fund	(34,825)	(77,390)
Principal payments on capitalized lease obligations	(169,850)	(190,536)
Interest payments on capitalized lease obligations	(19,005)	(18,956)
Net cash flows used by capital and related financing activities	(157,275)	(373,743)
Cash flows from investing activities:		
Additions to board-designated assets	(52,192)	(204,734)
Decreases in board-designated assets	100,528	390,345
Investment income	4,083	5,597
Net cash flows provided by investing activities	52,419	191,208
Net increase (decrease) in cash and cash equivalents	(47,104)	168,562
Cash and cash equivalents at beginning of year	254,493	85,931
Cash and cash equivalents at end of year	\$ 207,389	\$ 254,493

WASHINGTON COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS - continued

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (481,464)	\$ (331,541)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation and amortization	218,511	219,174
Provision for doubtful accounts	162,128	156,317
Other	49,393	-
Net (increases) decreases in current assets:		
Accounts receivable	(19,225)	(48,174)
Inventories	(58,055)	15,601
Estimated third-party payer settlements	(17,779)	30,440
Other	(9,768)	21,541
Net increases (decreases) in current liabilities:		
Accounts payable	(64,325)	49,276
Salaries and wages payable	13,649	7,108
Compensated absences payable	(429)	161
Payroll taxes payable	<u>1,373</u>	<u>216</u>
Net cash provided (used) by operating activities	<u>\$ (205,991)</u>	<u>\$ 120,119</u>

The accompanying notes are an integral
part of the financial statements.

WASHINGTON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and reporting entity

Washington County Hospital (Hospital) is owned by Washington County, Kansas and provides acute inpatient, outpatient and swing bed care. The Board of County Commissioners appoints the members of the Board of Trustees. For this reason, the Hospital is considered to be a component unit of Washington County, Kansas.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Property taxes, investment income, interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. If the patient is unable to pay the full amount at the time the patient is billed, the Hospital negotiates a payment plan whereby monthly payments are made by the patient on the account. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Capital assets

The Hospital's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	4 years
Buildings	10-40 years
Equipment	5-20 years

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

Net patient service revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and contributions

From time to time, the Hospital receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net assets

Net assets of the Hospital are classified in two components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted*.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

Employees of the Hospital are entitled to paid vacation depending on length of service and whether they are full or part time. Upon resignation, termination or retirement from service with the Hospital, employees are entitled to payment for all accrued vacation, up to the allowable maximum. The Hospital accrues vacation benefits as earned.

Cash and cash equivalents

Cash and cash equivalents include cash, certificates of deposit, money market and interest bearing checking accounts with maturities of three months or less, excluding those investments designated by the Board of Trustees for the purchase or replacement of capital assets (Note 7).

Taxation

The Hospital is a component unit of Washington County, a political subdivision on the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Risk management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

The Hospital pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

Subsequent events

Subsequent events have been evaluated through June 8, 2012, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. The reclassifications had no effect on the change in net assets.

2. ESTIMATED THIRD-PARTY PAYER SETTLEMENTS

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2010.
 - **Medicaid** – The Hospital is reimbursed under a cost reimbursement methodology for inpatient acute and outpatient services. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicaid fiscal intermediary.
- Inpatient long-term care services for 2010 and 2011 are paid at prospectively determined per diem rates that are based on the patient's acuity.

Approximately 62% and 55% of net patient service revenue is from participation in the Medicare program for the years ended December 31, 2011 and 2010, respectively. Laws and regulations governing the Medicare program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other third-party payer programs. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. CASH AND INVESTED CASH

Cash and invested cash consisted of the following:

Cash and cash equivalents:

Cash on hand
Interest bearing checking accounts
Certificates of deposit

December 31,	
2011	2010
\$ 100	\$ 100
147,781	211,249
59,508	43,144
<u>207,389</u>	<u>254,493</u>

3. CASH AND INVESTED CASH (continued)

	December 31,	
	2011	2010
Assets whose use is limited (Note 7):		
Checking account (Building Fund)	297,448	262,623
Certificates of deposit	255,691	304,027
	<u>553,139</u>	<u>566,650</u>
Totals	<u>\$ 760,528</u>	<u>\$ 821,143</u>

Deposits

The Hospital's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities. Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned to the Hospital or the Hospital will be unable to recover the collateral securities in the possession of an outside party.

At December 31, 2011, the carrying amount of the Hospital's deposits, which approximates fair value, was \$760,528 with the bank balances of such accounts being \$704,112. Of the bank balances, \$565,199 was secured by federal depository insurance and the remaining balance of \$138,913 was covered by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of those pledged securities held by the Hospital's custodial banks was \$886,954 at December 31, 2011.

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital's investing activities are managed under the custody of the Hospital Chief Executive Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital to invest in (1) temporary notes or no-fund warrants issued by the Hospital (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital is a provider of health care services and is located in the City of Washington, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local area residents and some are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	December 31,	
	2011	2010
Medicare	\$ 386,376	\$ 332,859
Medicaid	11,162	32,496
Commercial	315,306	311,842
Other	<u>287,441</u>	<u>417,156</u>
Gross accounts receivable	1,000,285	1,094,353
Less allowance for doubtful accounts	<u>258,835</u>	<u>210,000</u>
	<u>\$ 741,450</u>	<u>\$ 884,353</u>

5. CAPITAL ASSETS

Capital asset additions, disposals, and balances for the years ended December 31, 2011 and 2010 were as follows:

	Balance At December 31, 2010	Additions	Disposals	Balance At December 31, 2011
Capital assets not being depreciated:				
Land	\$ 85,637	\$ —	\$ —	\$ 85,637
Projects in progress	<u>408,827</u>	<u>46,903</u>	<u>403,345</u>	<u>52,385</u>
Total capital assets not being depreciated:	<u>494,464</u>	<u>46,903</u>	<u>403,345</u>	<u>138,022</u>
Capital assets being depreciated:				
Land improvements	45,887	—	—	45,887
Building and fixed equipment	934,019	159,385	5,351	1,088,053
Movable equipment	<u>2,262,001</u>	<u>274,087</u>	<u>24,385</u>	<u>2,511,703</u>
Total capital assets being depreciated	<u>3,241,907</u>	<u>433,472</u>	<u>29,736</u>	<u>3,645,643</u>

5. CAPITAL ASSETS (continued)

	Balance At December 31, 2010	Additions	Disposals	Balance At December 31, 2011
Less accumulated depreciation for:				
Land				
improvements	\$ 39,509	\$ 2,485	\$ -	\$ 41,994
Buildings and fixed equipment	888,771	16,467	5,351	899,887
Movable equipment	<u>1,899,935</u>	<u>199,559</u>	<u>24,385</u>	<u>2,075,109</u>
Total accumulated depreciation	<u>2,828,215</u>	<u>218,511</u>	<u>29,736</u>	<u>3,016,990</u>
Total capital assets being depreciated, net	<u>413,692</u>	<u>214,961</u>	<u>-</u>	<u>628,653</u>
Total capital assets, net	<u>\$ 908,156</u>	<u>\$ 261,864</u>	<u>\$ 403,345</u>	<u>\$ 766,675</u>
	Balance At December 31, 2009	Additions	Disposals	Balance At December 31, 2010
Capital assets not being depreciated:				
Land	\$ 85,637	\$ -	\$ -	\$ 85,637
Projects in progress	<u>10,000</u>	<u>398,827</u>	<u>-</u>	<u>408,827</u>
Total capital assets not being depreciated:	<u>95,637</u>	<u>398,827</u>	<u>-</u>	<u>494,464</u>
Capital assets being depreciated:				
Land				
improvements	45,887	-	-	45,887
Building and fixed equipment	934,019	-	-	934,019
Movable equipment	<u>2,216,142</u>	<u>45,859</u>	<u>-</u>	<u>2,262,001</u>

5. CAPITAL ASSETS (continued)

	Balance At December 31, 2009	Additions	Disposals	Balance At December 31, 2010
Total capital assets being depreciated	\$ 3,196,048	\$ 45,859	\$ —	\$ 3,241,907
Less accumulated depreciation for:				
Land				
improvements	38,225	1,284	—	39,509
Buildings and fixed equipment	872,889	15,882	—	888,771
Movable equipment	1,697,927	202,008	—	1,899,935
Total accumulated depreciation	2,609,041	219,174	—	2,828,215
Total capital assets being depreciated, net	587,007	(173,315)	—	413,692
Total capital assets, net	\$ 682,644	\$ 225,512	\$ —	\$ 908,156

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

	Balance At December 31, 2010	Additions	Reductions	Balance At December 31, 2011	Amounts Due Within One Year
Capital lease obligations	\$ 485,808	\$ 94,433	\$ 169,850	\$ 410,391	\$ 197,200
Compensated absences payable	63,663	67,665	68,094	63,234	60,726
Total long-term liabilities	\$ 549,471	\$ 162,098	\$ 237,944	\$ 473,625	\$ 257,926

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES
(continued)

	Balance At December 31, 2009	Additions	Reductions	Balance At December 31, 2010	Amounts Due Within One Year
Capital lease obligations	\$ 412,739	\$ 263,605	\$ 190,536	\$ 485,808	\$ 169,850
Compensated absences payable	63,502	62,035	61,874	63,663	61,138
Total long-term liabilities	<u>\$ 476,241</u>	<u>\$ 325,640</u>	<u>\$ 252,410</u>	<u>\$ 549,471</u>	<u>\$ 230,988</u>

The Hospital leases certain equipment under capital lease agreements, including new leases of \$94,433 and \$263,605 in 2011 and 2010, respectively. Interest incurred under the leases was \$19,789 and \$14,348 for the years ended December 31, 2011 and 2010, respectively.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The following is an analysis of the financial presentation of the capital leases:

	December 31,	
	2011	2010
Movable equipment	\$ 652,242	\$ 580,025
Projects in progress	<u>42,385</u>	<u>263,605</u>
Accumulated depreciation	694,627	843,630
	<u>289,428</u>	<u>394,535</u>
	<u>\$ 405,199</u>	<u>\$ 449,095</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2011:

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES
(continued)

Year ending December 31,

2012.....	\$ 213,224
2013.....	109,450
2014.....	59,134
2015.....	<u>59,134</u>

Total minimum lease payments	440,942
Less amount representing interest.....	<u>30,551</u>

Present value of net minimum lease payments	410,391
Less current portion	<u>197,200</u>

Long-term portion	<u>\$ 213,191</u>
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7. ASSETS WHOSE USE IS LIMITED

The assets whose use is limited consists of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Board Designated	\$ 255,691	\$ 304,027
Building Fund	<u>297,448</u>	<u>262,623</u>
	<u>\$ 553,139</u>	<u>\$ 566,650</u>

Certain cash and investments have been designated by the Board of Trustees for use in the replacement of capital assets or for the acquisition of additional capital assets. The assets designated by the Board of Trustees can be utilized for other purposes at the discretion of the Board.

The Building Fund consists of contributions received for the building project (Note 11) net of related expenses. The Building Fund assets are restricted for the building project.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of assets whose use by the Hospital has been limited by donors to specific purposes and is available for the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Held in cash and assets whose use is limited:		
Building project	\$ 352,076	\$ 310,427
Less: Amount in deferred revenue (Note 11)	<u>352,076</u>	<u>310,427</u>
	<u>\$ —</u>	<u>\$ —</u>

Net assets were received and released from donor restrictions by incurring expenditures satisfying the restricted purposes for the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
HIPAA programs	\$ 7,161	\$ 7,075
Emergency preparedness	8,777	8,052
Boiler replacement	<u>17,328</u>	<u>62,360</u>
Total	<u>\$ 33,266</u>	<u>\$ 77,487</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles (GAAP) establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1 – Quoted market prices are available in active markets for identical instruments as of the reporting date.
- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1.
- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amounts reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable – The carrying amounts reported in the balance sheet for accounts receivable approximates fair value because of the short-term nature of those instruments.

Estimated third-party payor settlements – The carrying amounts reported in the balance sheet for estimated third-party payor settlements approximates fair value because of the short-term nature of those instruments.

Board designated assets and Building Fund – These assets consist of cash and short-term investments and the carrying amounts reported in the balance sheet approximates their fair value.

Accounts and other payables – The carrying amounts reported in the balance sheet for accounts and other payables approximates its fair value.

Long-term debt – These liabilities consist of capitalized lease obligations. The fair value of these liabilities is estimated using discounted cash flow analyses, based on the interest rate implicit in the lease agreements.

The carrying amounts and fair value of the Hospital's financial instruments at December 31, 2011 and 2010 are as follows:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Primary government:				
Cash and cash equivalents	\$ 207,389	\$ 207,389	\$ 254,493	\$ 254,493
Accounts receivable	741,450	741,450	884,353	884,353
Estimated third-party payor settlements	76,304	76,304	58,525	58,525
Building fund	297,448	297,448	262,623	262,623
Board designated assets	255,691	255,691	304,027	304,027
Accounts and other payables	630,592	630,592	637,891	637,891
Long-term debt	410,391	410,391	485,808	485,808

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Hospital is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The Hospital provides no other post-employment benefits, other than a retirement plan, for former employees.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

11. BUILDING PROJECT

Management of the Hospital has initiated a project to determine the feasibility of raising the necessary funding to remodel the existing facility or construct a new hospital facility. As of December 31, 2011, the Hospital had obtained approximately \$1,175,000 of pledges from various individuals and companies for the project. Contributions and pledge amounts received are recorded as deferred revenue until such time as management decides to proceed with the construction of the new facility. Management expects to obtain approximately \$1.2 to \$1.5 million in contributions and pledges. The financing for the balance of the project has not yet been determined.

12. RETIREMENT PLAN

The Hospital maintains a defined contribution simple IRA retirement plan. Employees who have received at least \$5,000 in compensation during the preceding calendar year are eligible to participate. Participants can contribute up to \$11,500 annually. The Hospital matches each employee's contribution up to 3% of an employee's compensation. The total expense under the plan was \$33,283 and \$29,767 for 2011 and 2010, respectively.

WASHINGTON COUNTY HOSPITAL
SCHEDULE OF PATIENT SERVICE REVENUE

Year ended December 31,						
2011			2010			
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Routine service	\$ 245,806	\$ 156,153	\$ 401,959	\$ 210,629	\$ 170,861	\$ 381,490
Swing beds	295,794	—	295,794	294,538	—	294,538
Nursery	8,074	—	8,074	8,290	—	8,290
Operating room	52,893	429,938	482,831	64,769	466,005	530,774
Delivery room	8,127	—	8,127	16,863	—	16,863
Anesthesiology	10,880	80,535	91,415	17,760	75,105	92,865
Radiology/EKG	95,855	965,884	1,061,739	82,631	910,783	993,414
Laboratory	145,191	480,562	625,753	132,437	502,032	634,469
Physical therapy	14,853	471,242	486,095	9,829	414,110	423,939
Medical supplies	137,432	131,527	268,959	144,820	117,197	262,017
Pharmacy	174,608	375,590	550,198	161,128	336,178	497,306
Cardiac rehabilitation	—	51,525	51,525	—	40,896	40,896
Emergency room	729	146,632	147,361	1,513	139,801	141,314
Gross patient service revenue	\$ <u>1,190,242</u>	\$ <u>3,289,588</u>	4,479,830	<u>1,145,207</u>	\$ <u>3,172,968</u>	4,318,175
Contractual adjustments			(808,745)			(567,324)
Bad debts			(162,128)			(156,317)
Net patient service revenue			\$ <u>3,508,957</u>			\$ <u>3,594,534</u>

WASHINGTON COUNTY HOSPITAL
SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2011				Percent of total operating expenses
	Salaries	Supplies and other	Depreciation	Total	
Routine service:					
Adult and pediatrics	\$ 677,859	\$ 11,630	\$ 49,237	\$ 738,726	18.40 %
Nursery	4,446	262	1,755	6,463	0.16
	<u>682,305</u>	<u>11,892</u>	<u>50,992</u>	<u>745,189</u>	<u>18.56</u>
Ancillary services:					
Operating room	39,758	22,562	13,531	75,851	1.89
Delivery room	4,144	0	761	4,905	0.12
Anesthesiology	—	81,494	—	81,494	2.03
Radiology	120,019	177,443	19,138	316,600	7.89
Laboratory	118,334	110,055	2,812	231,201	5.76
Physical therapy	—	265,321	—	265,321	6.61
Electrocardiology	3,766	793	1,307	5,866	0.15
Medical supplies	10,675	74,330	—	85,005	2.12
Pharmacy	19,189	201,069	—	220,258	5.49
Cardiac rehab	18,319	54	—	18,373	0.46
Emergency room	138,302	156,990	1,024	296,316	7.38
	<u>472,506</u>	<u>1,090,111</u>	<u>38,573</u>	<u>1,601,190</u>	<u>39.90</u>
General services:					
Nursing administration	80,217	7,289	—	87,506	2.18
Operation of plant	55,422	171,060	—	226,482	5.64
Laundry	20,223	776	735	21,734	0.54
Housekeeping	42,557	54	—	42,611	1.06
Dietary	75,697	67,942	311	143,950	3.59
Medical records	146,871	28,055	—	174,926	4.36
Administration and general	160,437	264,005	108,947	533,389	13.29
Employee benefits	—	417,712	—	417,712	10.41
Depreciation - building	—	—	18,953	18,953	0.47
	<u>581,424</u>	<u>956,893</u>	<u>128,946</u>	<u>1,667,263</u>	<u>41.54</u>
	<u>\$ 1,736,235</u>	<u>\$ 2,058,896</u>	<u>\$ 218,511</u>	<u>\$ 4,013,642</u>	<u>100.00 %</u>

Year ended December 31, 2010					
Department	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Adult and pediatrics	\$ 646,652	\$ 7,782	\$ 15,343	\$ 669,777	16.95 %
Nursery	3,627	959	1,755	6,341	0.16
	<u>650,279</u>	<u>8,741</u>	<u>17,098</u>	<u>676,118</u>	<u>17.11</u>
Ancillary services:					
Operating room	42,288	55,168	12,197	109,653	2.78
Delivery room	4,504	0	761	5,265	0.13
Anesthesiology	—	89,815	—	89,815	2.27
Radiology	118,400	184,426	17,100	319,926	8.10
Laboratory	116,291	108,215	2,812	227,318	5.76
Physical therapy	—	209,996	—	209,996	5.32
Electrocardiology	4,127	430	1,307	5,864	0.15
Medical supplies	10,446	140,379	—	150,825	3.82
Pharmacy	16,750	138,760	—	155,510	3.94
Cardiac rehab	28,182	6,773	—	34,955	0.89
Emergency room	128,461	145,042	1,024	274,527	6.95
	<u>469,449</u>	<u>1,079,004</u>	<u>35,201</u>	<u>1,583,654</u>	<u>40.11</u>
General services:					
Nursing administration	85,203	12,235	—	97,438	2.47
Operation of plant	61,703	188,202	245	250,150	6.34
Laundry	16,498	1,569	735	18,802	0.48
Housekeeping	38,984	597	—	39,581	1.00
Dietary	75,467	61,881	404	137,752	3.49
Medical records	144,704	27,443	793	172,940	4.38
Administration and general	157,373	245,116	147,532	550,021	13.93
Employee benefits	—	404,981	—	404,981	10.26
Depreciation - building	—	—	17,166	17,166	0.43
	<u>579,932</u>	<u>942,024</u>	<u>166,875</u>	<u>1,688,831</u>	<u>42.78</u>
	<u>\$ 1,699,660</u>	<u>\$ 2,029,769</u>	<u>\$ 219,174</u>	<u>\$ 3,948,603</u>	<u>100.00 %</u>

This report is required by law (42 USC 1395g; 42 CFR 413.20(b)). Failure to report can result in all interim payments made since the beginning of the cost reporting period being deemed overpayments (42 USC 1395g). FORM APPROVED OMB NO. 0938-0050

HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX COST REPORT CERTIFICATION AND SETTLEMENT SUMMARY

Provider CCN: 171351

Period: From 01/01/2011 To 12/31/2011

Worksheet 5
Parts I-III
Date/Time Prepared: 5/29/2012 6:18 pm

PART I - COST REPORT STATUS		Date: 5/29/2012 Time: 6:18 pm
Provider use only	1. <input checked="" type="checkbox"/> Electronically filed cost report 2. <input type="checkbox"/> Manually submitted cost report 3. <input type="checkbox"/> If this is an amended report enter the number of times the provider resubmitted this cost report 4. <input type="checkbox"/> Medicare Utilization. Enter "F" for full or "L" for low.	
Contractor use only	5. <input type="checkbox"/> Cost Report Status (1) As Submitted (2) Settled without Audit (3) Settled with Audit (4) Reopened (5) Amended 6. Date Received: 7. Contractor No. 8. <input type="checkbox"/> Initial Report for this Provider CCN 9. <input type="checkbox"/> Final Report for this Provider CCN	10. NPR Date: 11. Contractor's Vendor Code: 04 12. <input type="checkbox"/> If line 5, column 1 is 4: Enter number of times reopened = 0-9.

PART II - CERTIFICATION

MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A KICKBACK OR WERE OTHERWISE ILLEGAL, CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.

CERTIFICATION BY OFFICER OR ADMINISTRATOR OF PROVIDER(S)

I HEREBY CERTIFY that I have read the above statement and that I have examined the accompanying electronically filed or manually submitted cost report and the Balance Sheet and Statement of Revenue and Expenses prepared by WASHINGTON COUNTY HOSPITAL for the cost reporting period beginning 01/01/2011 and ending 12/31/2011 and to the best of my knowledge and belief, it is a true, correct and complete statement prepared from the books and records of the provider in accordance with applicable instructions, except as noted. I further certify that I am familiar with the laws and regulations regarding the provision of health care services identified in this cost report were provided in compliance with such laws and regulations.

Encryption Information

ECR: Date: 5/29/2012 Time: 6:18 pm
 YJnXwgpVFSgSpL9NjI8xmu48BIWY.0
 FAm8D0n9dweEev63wZQgS6tOpdhp5
 9:jK0S9Ls90aXQX
 PI: Date: 5/29/2012 Time: 6:18 pm
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 1T:Ey0zkfqaQbT0BLoyMeQJQAP7xxQ
 4izwzm1QE0azLXS

(Signed) Doyle L. McKenny
 Officer or Administrator of Provider(s)
 CEO
 Title
 5-30-12
 Date

		Title XVIII			HIT	Title XIX		
		Title V	Part A	Part B				
		1.00	2.00	3.00	4.00	5.00		
PART III - SETTLEMENT SUMMARY								
1.00	Hospital	0	21,994	-26,902	0	8,326	1.00	
2.00	Subprovider - IPF	0	0	0	0	0	2.00	
3.00	Subprovider - IRF	0	0	0	0	0	3.00	
4.00	SUBPROVIDER I	0	0	0	0	0	4.00	
5.00	Swing bed - SNF	0	17,325	0	0	0	5.00	
6.00	Swing bed - NF	0	0	0	0	0	6.00	
7.00	SKILLED NURSING FACILITY	0	0	0	0	0	7.00	
8.00	NURSING FACILITY	0	0	0	0	0	8.00	
9.00	HOME HEALTH AGENCY I	0	0	0	0	0	9.00	
10.00	RURAL HEALTH CLINIC I	0	0	0	0	0	10.00	
11.00	FEDERALLY QUALIFIED HEALTH CENTER I	0	0	0	0	0	11.00	
12.00	CMHC I	0	0	0	0	0	12.00	
200.00	Total	0	39,319	-26,902	0	8,326	200.00	

The above amounts represent "due to" or "due from" the applicable program for the element of the above complex indicated. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-0050. The time required to complete and review the information collection is estimated 673 hours per response, including the time to review instructions, search existing resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving the form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Report Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.